

MIDWAY CITY CORPORATION
FINANCIAL STATEMENTS
And Supplementary Information
JUNE 30, 2005

MIDWAY CITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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MIDWAY CITY CORPORATION
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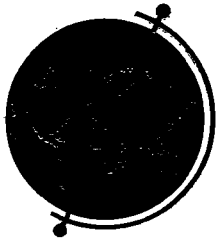
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THE C.P.A. NETWORK, LLC
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
Midway City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Midway City Corporation, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Heber Light & Power Company, a joint venture, the investment in which, as discussed in Note 5 to the financial statements, is accounted for by the equity method of accounting. The investment in Heber Light & Power Company was \$1,379,271 as of June 30, 2005, and the equity in its net loss was \$5,119 for the year then ended. The financial statements of Heber Light & Power Company were audited by other auditors, as of December 31, 2004, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Heber Light & Power Company, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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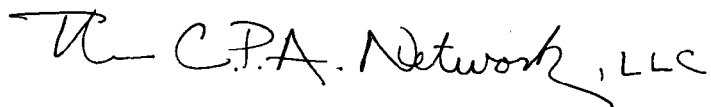
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2005, on our consideration of Midway City Corporation, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (on pages 3 through 16, 22 through 25 and 49 through 51) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The C.P.A. Network, LLC

THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 10, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Introduction

As management of the Midway City Corporation, we offer readers of Midway City Corporation's financial statements this narrative overview and analysis of the financial activities of the Midway City Corporation for the fiscal year ended June 30, 2005.

Financial Highlights

Government Wide

- The total net assets of the Midway City Corporation increased \$3,370,309. The governmental net assets increased \$1,348,816 and the business-type net assets increased \$2,021,493.
- At the close of the current fiscal year, the assets of the City exceeded its liabilities by \$17,427,797. Of this amount, \$3,516,693 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

Fund Level

- As of the close of the current fiscal year, Midway City's governmental funds (reflected on a current financial resources basis) reported combined ending fund balances of \$2,023,069, a decrease of \$118,721 in comparison with the prior year. Approximately 91 percent of this total amount, \$1,838,612, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund (the primary operating fund) was \$603,195, an increase of \$184,157.

Long-term Debt

- Midway City Corporation's total debt decreased by \$618,438 (33 percent) during the current fiscal year. The key factor in this decrease was the pre-payment of bonds with unused money in escrow in the amount of \$416,746.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Midway City's basic financial statements. Midway City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Midway City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Midway City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Midway City Corporation is improving or deteriorating.

MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Midway City Corporation that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Midway City include general government, public safety, highways and public works, parks and recreation, general capital projects, the Municipal Building Authority, the Wasatch Area Drug Enforcement Network, and perpetual care of the cemetery. The business-type activities of Midway City Corporation include a running a water system, an Ice Rink, and a joint-venture in an electric distribution operation.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives of Midway City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Midway City Corporation can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Midway City Corporation maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects, Municipal Building Authority, and Wasatch Area Drug Enforcement Network all of which are considered to be major funds. Individual fund data for the non-major governmental fund is provided in a separate column.

MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Midway City Corporation adopts an annual appropriated budget for its general fund, and other governmental funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 and 20 of this report.

Proprietary Funds. Midway City Corporation maintains 2 different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Midway City uses enterprise funds to account for its Water System and Ice Rink.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility and Ice Rink, both of which are considered to be major funds of Midway City.

The basic proprietary fund financial statements can be found on pages 26, 27 and 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 48 of this report.

Other information. Budgetary schedules for the capital improvement funds and the non-major governmental fund can be found on pages 49 - 51 of this report.

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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Midway City Corporation, assets exceeded liabilities by \$ 17,427,797 at the close of the most recent fiscal year. The largest portion of Midway City's net assets (75 percent) is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Midway City Corporation uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Midway City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Midway City Corporation's Net Assets

Table 1

	Governmental		Business-Type		Total	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 2,496,761	\$ 2,344,592	\$ 1,445,151	\$ 1,099,031	\$ 3,941,912	\$ 3,443,623
Capital assets	4,495,925	3,626,497	9,870,700	8,226,830	14,366,625	11,853,327
Other assets	0	0	1,379,271	1,367,707	1,379,271	1,367,707
Total assets	\$ 6,992,686	\$ 5,971,089	\$ 12,695,122	\$ 10,693,568	\$ 19,687,808	\$ 16,664,657
Current liabilities	\$ 669,558	\$ 391,404	\$ 519,661	\$ 520,210	\$ 1,189,219	\$ 911,614
Long term liabilities	1,070,792	1,676,165	0	19,390	1,070,792	1,695,555
Total liabilities	\$ 1,740,350	\$ 2,067,569	\$ 519,661	\$ 539,600	\$ 2,260,011	\$ 2,607,169
Net assets:						
Invested in capital assets,						
net of related debt	\$ 3,270,331	\$ 1,810,342	\$ 9,850,575	\$ 8,182,380	\$ 13,120,906	\$ 9,992,722
Restricted	184,457	146,496	605,741	360,338	790,198	506,834
Unrestricted	1,797,548	1,946,682	1,719,145	1,611,250	3,516,693	3,557,932
Total net assets	\$ 5,252,336	\$ 3,903,520	\$ 12,175,461	\$ 10,153,968	\$ 17,427,797	14,057,488

An additional portion of Midway City's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,516,693) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Midway City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

MIDWAY CITY CORPORATION
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Governmental activities. Governmental activities increased Midway City's net assets by \$1,348,816, thereby accounting for 40 percent of the total growth in the net assets of Midway City Corporation. Key elements of this increase are as follows:

- Capital contributions from contractors amounting to \$806,392 during the current fiscal year.
- Operating grants were increased by a nonrecurring CDBG grant for \$127,500.
- Charges for services for building permits and zoning fees increased by \$303,187 due to increased residential and commercial construction.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Midway City's Changes in Net Assets

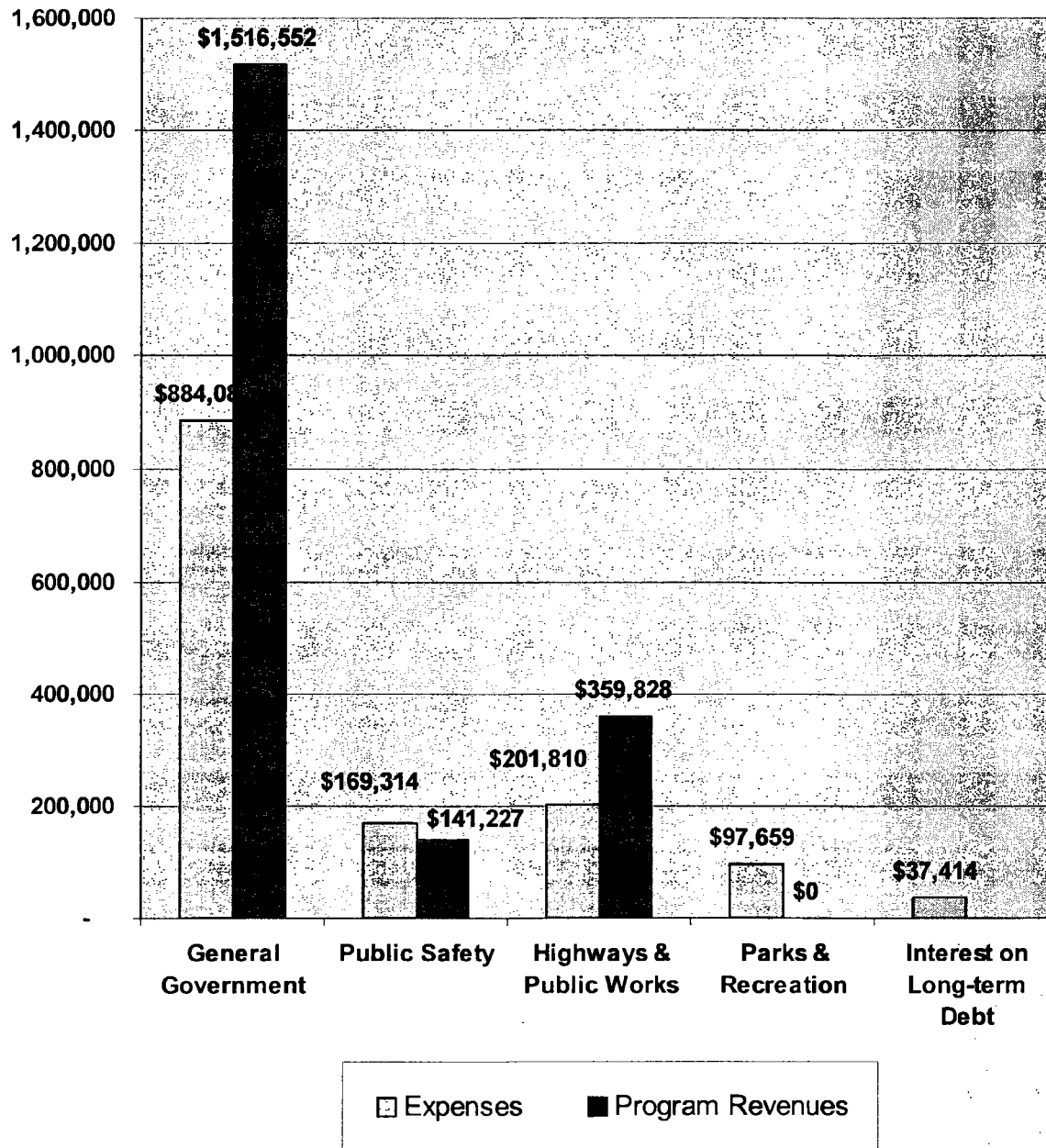
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for service	\$ 582,660	\$ 279,473	\$ 409,621	\$ 376,282	\$ 992,281	\$ 655,755
Operating grants & contributions	628,555	256,069	0	0	628,555	256,069
Capital grants & contributions	803,392	170,000	1,436,100	398,561	2,239,492	568,561
General Revenues:						
Property taxes	246,418	240,316	0	0	246,418	240,316
Other taxes	467,970	451,215	0	0	467,970	451,215
Other taxes	277,511	198,542	311,663	275,334	589,174	473,876
Total Revenues	3,006,506	1,595,615	2,157,384	1,050,177	5,163,890	2,645,792
Expenses:						
General Government	884,082	808,459	0	0	884,082	808,459
Public Safety	169,314	158,540	0	0	169,314	158,540
Highways & Public Works	201,810	68,133	0	0	201,810	68,133
Parks & Recreation	97,659	90,047	0	0	97,659	90,047
Interest on Long-term Debt	37,414	21,755	0	0	37,414	21,755
Ice Rink	0	0	68,028	47,616	68,028	47,616
Water	0	0	338,274	300,145	338,274	300,145
Total Expenses	1,390,279	1,146,934	406,302	347,761	1,796,581	1,494,695
Change in net assets before transfers	1,619,227	448,681	1,751,082	702,416	3,370,309	1,151,097
Transfers	(270,411)	(254,330)	270,411	254,330	0	0
Change in net assets	1,348,816	194,351	2,021,493	956,746	3,370,309	1,151,097
Net assets - Beginning	3,903,520	3,709,169	10,153,968	9,197,222	14,057,488	12,906,391
Net assets - Ending	<u>\$ 5,252,336</u>	<u>\$ 3,903,520</u>	<u>\$ 12,175,461</u>	<u>\$ 10,153,968</u>	<u>\$ 17,427,797</u>	<u>\$ 14,057,488</u>

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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

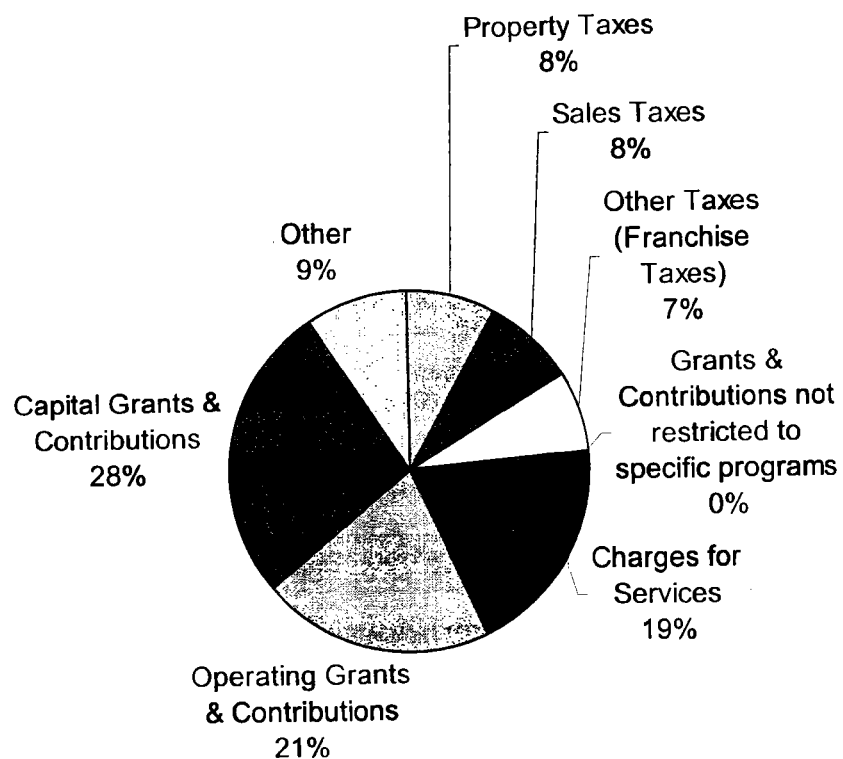
Expenses and Program Revenues - Governmental Activities



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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Revenues by Source - Governmental Activities

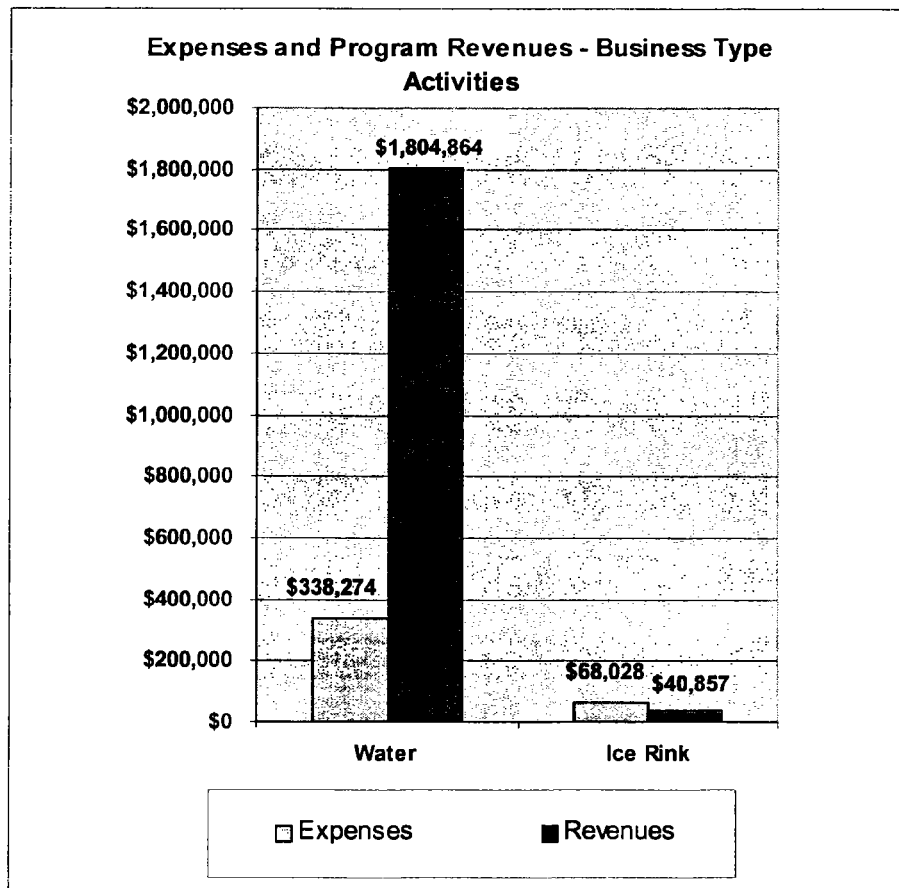


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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Business-type activities. Business-type activities increased Midway City's net assets by \$2,021,493 accounting for 60 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Impact fees emerged as a major revenue source for the Water System during the current fiscal year, producing \$263,575 in revenue. The impact fees are collected for new construction and must be used for capital purposes related to new growth.
- Capital contributions resulted in the largest portion of the increase in net assets, resulting in a \$757,500 increase that represents the value of the contributed water shares from new development and a \$678,600 increase was due to contractor water distribution system contributions.
- A final transfer of assets to the Ice Rink in the amount of \$163,536 completed it's establishment.



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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Financial Analysis of the Government's Funds

As noted earlier, Midway City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Midway City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Midway City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Midway City's governmental funds reported combined ending fund balances of \$2,023,069 a decrease of \$118,721 in comparison with the prior year. Approximately 91% of this total amount (\$1,838,612) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for impact fees, which are restricted for use on capital projects related to growth (\$184,457).

The general fund is the chief operating fund of the Midway City Corporation. At the end of the current fiscal year, unreserved fund balance of the general fund was \$603,195, while total fund balance for all funds combined reached \$2,023,069. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 61 percent of total general fund expenditures, while total fund balance represents 61 percent of that same amount.

The fund balance of the Midway City's general fund increased by \$184,157 during the current fiscal year. Key factors in this growth are as follows:

- License and permit revenues increased from \$195,486 in 2004 to \$347,067 in 2005 for an increase of \$151,581.
- Intergovernmental revenue increased from \$123,693 in 2004 to \$490,312 in 2005 for a year to year increase of \$366,619.

The capital projects fund has a total fund balance of \$904,915, of which, \$184,457 is reserved for impact fees. The net decrease in fund balance during the current year in the fund was \$26,899.

The Municipal Building Authority has a total fund balance of \$358,819. The net decrease in fund balance during the current year in the fund was \$281,091. The key factor in the decrease was a \$416,746 payment on long term debt related to the Burgi Lane project.

Proprietary Funds. Midway City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water System at the end of the year amounted to \$1,729,183 of which \$1,379,271 is represented by an investment in the HL&P joint venture. The total growth in net assets for this fund was \$1,884,878. Other factors concerning the finances of this fund has already been addressed in the discussion of Midway City's government-wide business-type activities.

MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Net assets of the Ice Rink at the end of the year amounted to \$371,105. Other factors concerning the finances of this fund have already been addressed in the discussion of Midway City's government-wide business-type activities.

General Fund Budgetary Highlights

The major changes in the general fund budget were related to increases to building permit, plan checking and zoning/development fees of approximately \$250,000.

Capital Asset and Debt Administration

Capital assets. Midway City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$14,366,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and sidewalks.

Major capital asset events during the current fiscal year included the following:

- Capital contributions of \$757,500 of water stock and \$678,600 in water system.
- A variety of street construction projects; in particular the rebuilding of 100 West from 100 North to Main Street.

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MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Midway City's Capital Assets

(net of depreciation)

The following is a summary of changes in the governmental activities:

	Beginning Balance 7/1/2004	Additions	Retirements	Less: Depreciation	Ending Balance 6/30/2005
Land	\$ 1,389,103	\$ 0	\$ 0	\$ 0	\$ 1,389,103
Buildings	614,677	0	0	(250,265)	364,412
Improvements	62,452	52,660	0	(40,336)	74,776
Equipment	537,133	51,928	0	(389,503)	199,556
Vehicles	207,151	19,321	0	(165,177)	61,295
Infrastructure	3,379,427	830,261	0	(2,006,473)	2,203,215
Construction in progress	0	203,568	0	0	203,568
	<u>\$ 6,189,943</u>	<u>\$ 1,157,738</u>	<u>\$ 0</u>	<u>\$ (2,851,756)</u>	<u>\$ 4,495,925</u>

The following is a summary of changes in the business-type activities:

	Beginning Balance 7/1/2004	Additions	Retirements	Less: Depreciation	Ending Balance 6/30/2005
Water distribution system	\$ 2,231,544	\$ 746,992	\$ 0	\$ (544,333)	\$ 2,434,203
Equipment	166,617	0	0	(110,465)	56,152
Buildings	0	24,817	0	0	24,817
Ice sheet	307,197	15,429	0	(11,285)	311,341
Construction in progress	0	178,387	0	0	178,387
Water stock	6,108,300	757,500	0	0	6,865,800
	<u>\$ 8,813,658</u>	<u>\$ 1,723,125</u>	<u>\$ 0</u>	<u>\$ (666,083)</u>	<u>\$ 9,870,700</u>

Additional information on Midway City's capital assets can be found in note 4 on page 39 of this report.

**MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Long-term debt. At the end of the current fiscal year, Midway City Corporation had total debt outstanding of \$1,274,764. Of this amount, \$1,057,644 comprises debt representing bonds secured solely by specified revenue sources (i.e., revenue bonds).

Midway City Corporation's Outstanding Debt General

General Obligation and Revenue Bonds

	Totals	
	2005	2004
Governmental		
General Obligation Bonds	\$ 0	\$ 0
Revenue Bonds	1,038,254	1,592,000
Note Payable	160,491	179,474
Capital Leases	15,314	29,726
Accrued Compensated Absences	41,065	48,613
Total Governmental	1,255,124	1,849,813
Business-Type		
Revenue Bonds	19,390	42,390
Notes Payable	250	1,000
Total Business-Type	19,640	43,390
Total	<u>\$ 1,274,764</u>	<u>\$ 1,893,203</u>

Midway City's total debt decreased by \$618,439 (33 percent) during the current fiscal year. The key factor in this decrease was the pre-payment of bonds with unused money in escrow in the amount of \$416,746.

Midway City Corporation and its Water System are unrated in the bond market due to the small population and number of connections to the Water System.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of the fair market value of taxable property within its jurisdiction. Midway City Corporation currently has no general obligation debt.

Additional information on the Midway City's long-term debt can be found in Note 7 on page 42, of this report.

Economic Factors and Next Year's Budgets and Rates

The most significant economic impact in the coming year will be the opening of the Zermatt Resort. The resort will open in the spring of 2006 and will dramatically increase the city's sales tax and room tax revenues. Increased traffic is also expected for local businesses and restaurants, which will in turn increase tax revenue. It will be the largest employer in Midway City and Wasatch County. It will also require a number of auxiliary businesses such as laundry services, etc.

MIDWAY CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Inflationary trends in the region compare favorably to national indices.

All of these factors will be considered in preparing the Midway City Corporation's budget for the 2006-07 fiscal year. During the current fiscal year, the general fund started off the year with unreserved fund balance of \$603,195. Midway City will appropriate \$314,000 of this amount for spending in the 2005-06 fiscal year budget. This use of available fund balance is for the construction of capital projects during the 2005-06 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Midway City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, Midway City Corporation, 75 North 100 West, PO Box 277, Midway, Utah 84049.

**BASIC FINANCIAL
STATEMENTS**

MIDWAY CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,733,358	\$ 825,675	\$ 2,559,033
Cash and cash equivalents-restricted	493,183	605,741	1,098,924
Accounts receivable - net	0	21,561	21,561
Property taxes receivable	233,025	0	233,025
Sales taxes receivable	16,078	0	16,078
Other receivables	6,480	5,156	11,636
Inventory	0	1,655	1,655
Internal balances	14,637	(14,637)	0
Total current assets	2,496,761	1,445,151	3,941,912
Noncurrent assets:			
Capital assets:			
Non-depreciable			
Land	1,389,103	0	1,389,103
Water stock	0	6,865,800	6,865,800
Construction in progress	203,568	178,387	381,955
Depreciable (net of accumulated depreciation):			
Buildings	364,412	24,817	389,229
Improvements	74,776	0	74,776
Equipment	199,556	56,152	255,708
Vehicles	61,295	0	61,295
Infrastructure	2,203,215	0	2,203,215
Water distribution system	0	2,434,203	2,434,203
Ice sheet	0	311,341	311,341
Net capital assets	4,495,925	9,870,700	14,366,625
Investment in joint venture	0	1,379,271	1,379,271
Total noncurrent assets	4,495,925	11,249,971	15,745,896
Total assets	\$ 6,992,686	\$ 12,695,122	\$ 19,687,808
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 40,873	\$ 490,976	\$ 531,849
Deposits	199,367	1,700	201,067
Accrued interest payable	11,535	485	12,020
Compensated absences	3,112	0	3,112
Unearned revenue	233,451	6,860	240,311
Current portion of long term debt	181,220	19,640	200,860
Total current liabilities	669,558	519,661	1,189,219
Noncurrent liabilities:			
Capital lease payable	(0)	0	(0)
Note payable	141,027	0	141,027
Bonds payables	891,812	0	891,812
Compensated absences	37,953	0	37,953
Total noncurrent liabilities	1,070,792	0	1,070,792
Total liabilities	1,740,350	519,661	2,260,011
Net Assets:			
Invested in capital assets, net of related debt	3,270,331	9,850,575	13,120,906
Restricted for park impact	184,457	0	184,457
Restricted for water impact	0	605,741	605,741
Unrestricted	1,797,548	1,719,145	3,516,693
Total net assets	5,252,336	12,175,461	17,427,797
Total Liabilities and Net Assets	\$ 6,992,686	\$ 12,695,122	\$ 19,687,808

MIDWAY CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Contributions		Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 884,082	\$ 582,660	\$ 127,500	\$ 806,392	\$ 632,470	\$	\$ 632,470
Public safety	169,314	0	141,227	0	(28,087)		(28,087)
Highways and public works	201,810	0	359,828	0	158,018		158,018
Parks and recreation	97,659	0	0	0	(97,659)		(97,659)
Interest on long-term debt	37,414	0	0	0	(37,414)		(37,414)
Total governmental activities	1,390,279	582,660	628,555	806,392	627,328		627,328
Business-type activities:							
Water Utility	338,274	368,764	0	1,436,100		\$ 1,466,590	1,466,590
Ice Sheet	68,028	40,857	0	0	(27,171)		(27,171)
Total business-type activities	406,302	409,621	0	1,436,100	1,439,419		1,439,419
Total primary government	\$ 1,796,581	\$ 992,281	\$ 628,555	\$ 2,242,492	627,328	1,439,419	2,066,747
General revenues:							
Property taxes					246,418		246,418
General sales and use tax					246,914		246,914
Franchise tax					221,056		221,056
Impact fees					194,800	263,575	458,375
Unrestricted investment earnings					0	32,189	32,189
Interest income					0	15,577	15,577
Miscellaneous					82,711	322	83,033
Transfers					(270,411)	270,411	(0)
Total general revenues and transfers					721,488	582,074	1,303,562
Change in net assets					1,348,816	2,021,493	3,370,309
Net assets - beginning (as restated)					3,903,520	10,153,968	14,057,488
Net assets - ending					\$ 5,252,336	\$ 12,175,461	\$ 17,427,797

MIDWAY CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Capital Projects General	Capital Projects M.B.A.	Special Revenue W.A.D.E.N.	Other Governmental Perpetual Care	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 463,121	\$ 761,991	\$ 337,901	\$ 15,714	\$ 154,631	\$ 1,733,358
Cash and cash equivalents-restricted	25,357	446,908	20,918	0	0	493,183
Receivables (net):						
Property tax	233,025	0	0	0	0	233,025
Sales tax	16,078	0	0	0	0	16,078
Other	6,479	0	0	0	0	6,479
Due from other funds	268,611	0	0	0	0	268,611
Total assets	<u>\$1,012,671</u>	<u>\$1,208,899</u>	<u>\$358,819</u>	<u>\$ 15,714</u>	<u>\$ 154,631</u>	<u>\$ 2,750,734</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable & accrued liabilities	\$ 29,543	\$ 0	\$ 0	\$ 11,330	\$ 0	\$ 40,873
Deposits and bonds	149,357	50,010	0	0	0	199,367
Deferred revenue	230,576	0	0	2,875	0	233,451
Due to other funds	0	253,974	0	0	0	253,974
Total liabilities	<u>409,476</u>	<u>303,984</u>	<u>0</u>	<u>14,205</u>	<u>0</u>	<u>727,665</u>
Fund Balances:						
Fund balances reserved for:						
B&C Roads	0	0	0	0	0	0
Park impact fees	0	184,457	0	0	0	184,457
Unreserved, reported in:						
General Fund	603,195	0	0	0	0	603,195
Capital Improvement Funds	0	720,458	358,819	0	0	1,079,277
Special Revenue Funds	0	0	0	1,509	0	1,509
Other Governmental Funds	0	0	0	0	154,631	154,631
Total fund balances	<u>603,195</u>	<u>904,915</u>	<u>358,819</u>	<u>1,509</u>	<u>154,631</u>	<u>2,023,069</u>
Total liabilities and fund balances	<u>\$1,012,671</u>	<u>\$1,208,899</u>	<u>\$358,819</u>	<u>\$ 15,714</u>	<u>\$ 154,631</u>	<u>\$ 2,750,734</u>

Fund balances reported for governmental activities in the entity wide balance sheet are different because:

Fund balances--total governmental funds	\$ 2,023,069
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,495,926
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,225,594)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(41,065)

Net assets of governmental activities \$ 5,252,336

MIDWAY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Projects General	Capital Projects M.B.A.	Special Revenue W.A.D.E.N.	Other Governmental Perpetual Care	Total Governmental Funds
Revenues						
Taxes	\$714,388	\$ 0	\$ 0	\$ 0	\$ 0	\$ 714,388
Licenses and permits	347,067	0	0	0	0	347,067
Intergovernmental	490,312	0	0	138,243	0	628,555
Charges for services	225,875	0	0	0	9,718	235,593
Impact fees	0	194,800	0	0	0	194,800
Miscellaneous revenue	41,705	29,766	7,746	0	3,494	82,711
	<u>1,819,347</u>	<u>224,566</u>	<u>7,746</u>	<u>138,243</u>	<u>13,212</u>	<u>2,203,114</u>
Expenditures						
Current:						
General government	725,434	31,038	5,091	0	0	761,563
Public safety	31,071	0	0	138,243	0	169,314
Streets	43,566	0	0	0	0	43,566
Parks and recreation	97,659	0	0	0	0	97,659
Capital Outlay	49,467	301,880	0	0	0	351,347
Debt service:						
Principal retirement	33,395	0	553,746	0	0	587,141
Interest and fiscal charges	11,034	0	29,800	0	0	40,834
	<u>991,626</u>	<u>332,918</u>	<u>588,637</u>	<u>138,243</u>	<u>0</u>	<u>2,051,424</u>
Excess revenues over (under) expenditures	<u>827,721</u>	<u>(108,352)</u>	<u>(580,891)</u>	<u>0</u>	<u>13,212</u>	<u>151,690</u>
Other financing sources (uses)						
Other financing sources (uses)	0	0	0	0	0	0
Transfers in	0	111,453	299,800	0	0	411,253
Transfers out	(643,564)	(30,000)	0	0	(8,100)	(681,664)
	<u>(643,564)</u>	<u>81,453</u>	<u>299,800</u>	<u>0</u>	<u>(8,100)</u>	<u>(270,411)</u>
Net change in fund balances	184,157	(26,899)	(281,091)	0	5,112	(118,721)
Fund balances - beginning of year	419,038	931,814	639,910	1,509	149,519	2,141,790
Fund balances - end of year	<u>\$603,195</u>	<u>\$904,915</u>	<u>\$358,819</u>	<u>\$ 1,509</u>	<u>\$ 154,631</u>	<u>\$ 2,023,069</u>

MIDWAY CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities (page 18) are different because:

Net change in fund balance--total governmental funds (page 20)	\$ (118,721)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	63,036
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	806,392
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	590,561
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	7,548
Change in net assets of governmental activities (page 18)	<u>\$ 1,348,816</u>

MIDWAY CITY CORPORATION
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes:				
Property tax	\$ 206,827	\$ 206,827	\$ 206,697	\$ (130)
Fee in lieu	20,000	20,000	24,155	4,155
Tax redemption	9,700	9,700	14,675	4,975
Penalties & interest	800	800	891	91
Sales and use	200,000	240,000	246,914	6,914
Franchise	120,000	190,000	189,846	(154)
Innkeepers	26,500	26,500	31,210	4,710
Telephone tax	0	0	0	0
	<u>583,827</u>	<u>693,827</u>	<u>714,388</u>	<u>20,561</u>
Licenses and Permits:				
Business licenses	17,050	17,050	17,128	78
Building permits	135,000	240,000	283,602	43,602
Plan checking fees	8,000	32,000	44,291	12,291
Other licenses and permits	2,250	2,250	2,046	(204)
	<u>162,300</u>	<u>291,300</u>	<u>347,067</u>	<u>55,767</u>
Intergovernmental Revenue:				
Grants from local units CDBG	126,000	126,000	127,500	1,500
Class "C" road fund allotment	95,000	95,000	72,828	(22,172)
State liquor fund allotment	0	0	2,984	2,984
State Grant Park Access	287,000	287,000	287,000	
	<u>508,000</u>	<u>508,000</u>	<u>490,312</u>	<u>(17,688)</u>
Charges for Services:				
Inspection fees	800	800	840	40
Midway sanitation district	6,000	6,000	6,526	526
Zoning and development fees	40,250	162,250	204,738	42,488
Burial and assessments	12,000	12,000	12,768	768
Recreation room rent	0	0	1,003	1,003
	<u>59,050</u>	<u>181,050</u>	<u>225,875</u>	<u>43,822</u>
Miscellaneous Revenue:				
Rents	12,000	12,000	15,270	3,270
Sale of fixed assets	0	0	11,000	11,000
Interest earnings	4,000	4,000	7,163	3,163
Donations- recreation room	1,000	1,000	0	(1,000)
Miscellaneous	12,000	12,000	8,272	(3,728)
	<u>29,000</u>	<u>29,000</u>	<u>41,705</u>	<u>12,705</u>
Total revenues	<u>1,342,177</u>	<u>1,703,177</u>	<u>1,819,347</u>	<u>115,167</u>
Other Financing Sources				
Other financing sources	0	148,753	0	(148,753)
Operating transfers in	90,000	0	0	0
Total other financing sources	<u>90,000</u>	<u>148,753</u>	<u>0</u>	<u>(148,753)</u>
Total revenue & other financing sources	<u>\$ 1,432,177</u>	<u>\$ 1,851,930</u>	<u>\$ 1,819,347</u>	<u>\$ (33,586)</u>

General Fund Totals

Budget		Actual Total	Variance With Final Budget
Original	Final		
\$ 62,000	\$ 62,500	\$ 64,615	\$ (2,115)
158,425	179,125	143,716	35,409
350,600	392,500	305,154	87,346
55,500	78,100	66,046	12,054
68,800	89,500	66,658	22,842
83,700	142,675	142,211	464
<u>779,025</u>	<u>944,400</u>	<u>788,400</u>	<u>156,000</u>
0	34,000	31,071	2,929
<u>0</u>	<u>34,000</u>	<u>31,071</u>	<u>2,929</u>
47,500	72,300	53,766	18,534
<u>47,500</u>	<u>72,300</u>	<u>53,766</u>	<u>18,534</u>
40,350	74,250	67,929	6,321
34,900	56,100	35,527	20,573
4,500	4,500	3,899	601
<u>79,750</u>	<u>134,850</u>	<u>107,355</u>	<u>27,495</u>
<u>906,275</u>	<u>1,185,550</u>	<u>980,592</u>	<u>204,958</u>
535,525	666,200	643,564	22,636
<u>535,525</u>	<u>666,200</u>	<u>643,564</u>	<u>22,636</u>
<u>\$ 1,441,800</u>	<u>\$ 1,851,750</u>	<u>\$ 1,624,156</u>	<u>\$ 227,594</u>

MIDWAY CITY CORPORATION
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 1,432,177	\$ 1,703,177	\$ 1,819,347	\$ 116,170
Expenditures	<u>(906,275)</u>	<u>(1,185,550)</u>	<u>(980,592)</u>	<u>204,958</u>
Excess of revenues over expenditures	<u>525,902</u>	<u>517,627</u>	<u>838,755</u>	<u>321,128</u>
<u>Other Financing Sources and (Uses)</u>				
Operating transfers in	0	90,000	0	(90,000)
Operating transfers out	(535,525)	(666,200)	(643,564)	22,636
Other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources and (uses)	<u>(535,525)</u>	<u>(576,200)</u>	<u>(643,564)</u>	<u>(67,364)</u>
Excess (deficit) of revenues & other financing sources over expenditures & uses	<u>\$ (9,623)</u>	<u>\$ (58,573)</u>	195,191	<u>\$ 253,764</u>
Fund balance, July 1			<u>419,038</u>	
Fund balance, June 30			<u>\$ 614,229</u>	

MIDWAY CITY CORPORATION
SPECIAL REVENUE FUND - W.A.D.E.N.
BUDGETARY COMPARISON STATEMENT
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Operating Revenues</u>				
State grant	\$ 151,870	\$ 100,000	\$ 100,000	\$ -
Local match	50,623	49,573	38,243	(11,330)
	<u>202,493</u>	<u>149,573</u>	<u>138,243</u>	<u>(11,330)</u>
<u>Operating Expense</u>				
Personnel	166,752	123,173	123,173	0
Materials, supplies & services	35,741	26,400	15,070	11,330
Capital outlay	0	0	0	0
	<u>202,493</u>	<u>149,573</u>	<u>138,243</u>	<u>0</u>
Operating income	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>
<u>Nonoperating Revenues and (Expenses)</u>				
Seizure and restitution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Income before operating transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>
<u>Operating Transfers</u>				
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ (0)</u>
Fund Balance, July 1			<u>1,509</u>	
Fund Balance, June 30			<u>\$ 1,509</u>	

MIDWAY CITY CORPORATION
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 825,675	\$ 0	\$ 825,675
Cash and cash equivalents-restricted	605,741	0	605,741
Accounts receivable - net	21,561	0	21,561
Other receivables	5,156	0	5,156
Inventory	1,655	0	1,655
Total current assets	1,459,788	0	1,459,788
Noncurrent assets:			
Capital assets			
Water distribution system	2,978,536	0	2,978,536
Buildings	0	24,817	24,817
Machinery and equipment	92,459	74,158	166,617
Ice sheet	0	322,626	322,626
Water stock	6,865,800	0	6,865,800
Construction in Process	178,387	0	178,387
Less: Accumulated depreciation	(625,625)	(40,458)	(666,083)
Net capital assets	9,489,557	381,143	9,870,700
Investment in joint venture	1,379,271	0	1,379,271
Total noncurrent assets	10,868,828	381,143	11,249,971
Total assets	\$ 12,328,616	\$ 381,143	\$ 12,709,759
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 490,902	\$ 74	\$ 490,976
Deposits	1,700	0	1,700
Due to other funds	4,673	9,964	14,637
Deferred revenue	6,860	0	6,860
Accrued interest payable	485	0	485
Current portion of long term debt	19,640	0	19,640
Total current liabilities	524,260	10,038	534,298
Noncurrent liabilities:			
Note payable	0	0	0
Total noncurrent liabilities	0	0	0
Total liabilities	524,260	10,038	534,298
Net Assets:			
Invested in capital assets, net of related debt	9,469,432	381,143	9,850,575
Restricted for water impact	605,741	0	605,741
Unrestricted	1,729,183	(10,038)	1,719,145
Total net assets	11,804,356	371,105	12,175,461
Total Liabilities and Net Assets	\$ 12,328,616	\$ 381,143	\$ 12,709,759

MIDWAY CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
<u>Operating revenues</u>			
Water sales	\$ 302,890	\$ 0	\$ 302,890
Connection fees	65,874	0	65,874
Impact fees	263,575	0	263,575
Impact fees - interest	10,219	0	10,219
Admissions and sales	0	40,857	40,857
Miscellaneous	72	0	72
	<u>642,630</u>	<u>40,857</u>	<u>683,487</u>
<u>Operating expenses</u>			
Salaries and wages	56,805	9,109	65,914
Employee benefits	14,221	697	14,918
Materials, supplies and services	208,960	35,710	244,670
Depreciation	56,744	22,512	79,256
	<u>336,730</u>	<u>68,028</u>	<u>404,758</u>
Operating income	<u>305,900</u>	<u>(27,171)</u>	<u>278,729</u>
<u>Nonoperating revenues (expenses)</u>			
Income (loss) from joint venture	32,189	0	32,189
Interest revenue	5,358	0	5,358
Interest expense	(1,544)	0	(1,544)
Donations	0	250	250
Total nonoperating revenue(expenses)	<u>36,003</u>	<u>250</u>	<u>36,253</u>
Income before contributions and transfers	<u>341,903</u>	<u>(26,921)</u>	<u>314,982</u>
Capital contributions	1,436,100	0	1,436,100
Transfers in	127,500	163,536	291,036
Transfers out	<u>(20,625)</u>	<u>0</u>	<u>(20,625)</u>
Change in net assets	<u>1,884,878</u>	<u>136,615</u>	<u>2,021,493</u>
Total net assets - beginning	9,919,478	234,490	10,153,968
Total net assets - ending	<u>\$ 11,804,356</u>	<u>\$ 371,105</u>	<u>\$ 12,175,461</u>

MIDWAY CITY CORPORATION
STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 657,047	\$ 40,857	\$ 697,904
Payments to suppliers	(266,005)	(36,540)	(302,545)
Payments to employees	(74,947)	(9,109)	(84,056)
Collection of customer deposits	65,485	0	65,485
Net cash provided (used) by operating activities	381,580	(4,792)	376,788
Cash Flows From Noncapital Financing Activities			
Grants and contributions	0	250	250
Loans from other funds	(16,418)	(118,748)	(135,166)
Transfers in (out)	106,875	163,536	270,411
Net cash provided (used) by noncapital financing activities	90,457	45,038	135,495
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(246,779)	(40,246)	(287,025)
Proceeds from sale of capital assets	0	0	0
Proceeds from capital contributions	0	0	0
Principal paid on capital debt	(23,750)	0	(23,750)
Interest paid on capital debt	(2,119)	0	(2,119)
Net cash provided (used) by capital and related financing activities	(272,648)	(40,246)	(312,894)
Cash Flows From Investing Activities			
Interest and dividends received	5,358	0	5,358
Withdrawal from joint venture	20,625	0	20,625
Net cash provided (used) by investing activities	25,983	0	25,983
Net increase (decrease) in cash and cash equivalents	225,372	0	225,372
Cash and cash equivalents - beginning	1,206,044	0	1,206,044
Cash and cash equivalents - end	\$ 1,431,416	\$ 0	\$ 1,431,416
Cash and cash equivalents:			
Unrestricted	\$ 825,675	\$ 0	825,675
Restricted	605,741	0	605,741
Total	\$ 1,431,416	\$ 0	\$ 1,431,416
Noncash Investing, Capital, and Financing Activities			
Capital contributions	\$ 1,436,100	\$ 0	\$ 1,436,100

(continued on page 29)

MIDWAY CITY CORPORATION
STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(continued from page 28)

**Reconciliation of operating income to
net cash provided (used) by operating
activities:**

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
Operating income	\$ 305,900	\$ (27,171)	\$ 278,729
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	56,744	22,512	79,256
Amortization expense	0	0	0
(Inc)/decrease in accounts rec.	14,417	0	14,417
Increase (decr.) in accounts payable	(57,045)	(133)	(57,178)
Increase (decr.) in accrued payroll	(3,921)	0	(3,921)
Increase (decr.) in deposits	65,485	0	65,485
Total adjustments	75,680	22,379	98,059
Net cash provided (used) by operating activities	\$ 381,580	\$ (4,792)	\$ 376,788

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Midway City Corporation was incorporated on June 1, 1891, as a third class city, under the provisions of the Utah State Code.

The City operates under a Mayor-Council form of government and provides services authorized by its charter, including public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Some of these services are provided under contract with other entities.

B. Reporting Entity

Midway City Corporation is a political subdivision of the State of Utah. It is governed by an elected mayor and five elected council members. The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of and for the year ended June 30, 2005.

For financial reporting purposes, Midway City Corporation has included all funds, account groups, and component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City.

As required by generally accepted accounting principles, this report presents the financial information of both Midway City Corporation (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of the component unit's operational or financial relationships with the City.

Blended Component Units

These component units are entities, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provides services almost entirely to Midway City. They are reported as funds of the City. These are organizations for which Midway City is financially accountable, and the relationship with Midway City is significant enough that exclusion would possibly lead to misleading or incomplete financial statements. To obtain separate individual component unit financial statements please send requests to Midway City, c/o the City Clerk/Auditor, 75 North 100 West, Midway, Utah 84049.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

Municipal Building Authority of Midway City, Utah. The building authority was created on May 3, 2000 under the provisions of the Utah Municipal Building Authority Act. The object and purposes are to acquire, improve, or extend one or more projects and to finance their costs on behalf of the City in accordance and subject to the limitations of the Utah Municipal Building Authority Act and subject to prior authorization by the governing body of the City. The Building Authority activity is reported as a capital projects fund.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the balance sheet and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects general fund accounts for the roads and other major projects of the city.

The Municipal Building Authority capital projects fund accounts for the blended component unit described above for the purpose of acquiring, improving, or extending one or more projects.

The Wasatch Area Drug Enforcement Network (W.A.D.E.N.) special revenue fund accounts for an interlocal agreement administered by the city.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the city's water utility. The city operates a water distribution system.

The ice rink fund accounts for the activities of the city's public ice skating rink operated during the winter months.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and various other functions of the government. Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and the ice sheet enterprise fund are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash consists of amounts in demand and certificates of deposit. The City considers all highly liquid investments maturing within three months to be cash equivalents. Cash balances are invested to the extent available. Investments include obligations of the U.S. Treasury, commercial paper, corporate bonds and purchase agreements. Investments are stated at fair value. The Public Treasurer's Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the Public Treasurer's Investment Fund is the same as the fair value of the shares.

2. Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided, services rendered or loans. The interfund receivables and payables created by this activity are classified as "due from other funds" (receivables) and "due to other funds" (payables) on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Restricted Assets

Cash and investments are often restricted to a particular use due to statutory, budgetary or legal requirements and are therefore classified as "restricted" on the City's balance sheets.

4. Capital Assets

Capital assets, which include property, land, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and net assets (Continued)

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and a liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental and proprietary fund financial statements.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide presentation.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Money Management Act also defined the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2005 were \$455,805. Of these, \$355,805 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment. The city does not have a formal policy for custodial credit risk.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2005 the City had the following investments:

	Investment Maturities (in years)		
	Fair Value	Less Than 1	More Than 1
Utah Public Treasurer's Investment Fund	\$ 3,252,885	\$ 3,252,885	\$ 0
	<u>\$ 3,252,885</u>	<u>\$ 3,252,885</u>	<u>\$ 0</u>

There is no material difference between the fair values and carrying amounts of the State Treasurer's Pool shares (fair value per share factor is 1.000154).

As of June 30, 2005 the City had the following deposits and investments

Amounts per Financial Institution and Reconciling Items

Deposits	\$ 455,805
Outstanding checks	(52,353)
Cash on hand	1,620
Investment in Utah Public Treasurer's Investment Fund	3,252,885
	<u>\$ 3,657,957</u>

Amounts per Balance Sheet

Cash and cash equivalents	\$ 2,559,033
Cash and cash equivalents - restricted	1,098,924
Total	<u>\$ 3,657,957</u>

NOTE 3 - RECEIVABLES - OTHER

Receivables - other at June 30, 2005 consist of the following:

	Governmental Activities	Business-type Activities	Total 2005
Franchise taxes	\$ 4,594	\$ 0	\$ 4,594
Miscellaneous	1,885	5,156	7,041
	<u>\$ 6,479</u>	<u>\$ 5,156</u>	<u>\$ 11,635</u>

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the governmental activities:

	Beginning Balance 07/01/04	Additions	Retirements	Less: Accumulated Depreciation	Ending Balance 06/30/05
Capital assets not being depreciated:					
Land	\$ 1,389,103	\$ 0	\$ 0	\$ 0	\$ 1,389,103
Construction in progress	0	203,568	0	0	203,568
Capital assets being depreciated:					
Buildings	614,677	0	0	(250,265)	364,412
Improvements	62,452	52,660	0	(40,336)	74,776
Equipment	537,133	51,928	0	(389,505)	199,556
Vehicles	207,151	19,321	0	(165,177)	61,295
Infrastructure	3,379,427	830,261	0	(2,006,473)	2,203,215
Total	\$ 6,189,943	\$ 1,157,738	\$ 0	\$ (2,851,756)	\$ 4,495,925

The following is a summary of changes in the business-type activities:

Capital assets not being depreciated:					
Water stock	\$ 6,108,300	\$ 757,500	\$ 0	\$ 0	\$ 6,865,800
Construction in progress	0	178,387	0	0	178,387
Capital assets being depreciated:					
Water distribution system	2,231,544	746,992	0	(544,333)	2,434,203
Buildings	0	24,817	0	0	24,817
Equipment	166,617	0	0	(110,465)	56,152
Ice sheet	307,197	15,429	0	(11,285)	311,341
Total	\$ 8,813,658	\$ 1,723,125	\$ 0	\$ (666,083)	\$ 9,870,700

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities:		General government	\$ 126,293
		Highways & public works	162,018
			\$ 288,311
Business-type activities:		Water Utility	\$ 56,744
		Ice Rink	22,512
			\$ 79,256

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straightline method over the following estimated useful lives:

Capital assets:	Years
Water distribution system/Ice rink	40
Buildings	40
Sidewalks	30
Streets	20
Building and land improvements	15
Office equipment and furniture	7
Vehicles and heavy equipment	5
Computer equipment	3

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - INVESTMENT IN JOINT VENTURE

Midway City is a party to a joint venture with Heber City and Charleston. The joint venture, Heber Light & Power Company, was created by the three municipalities to provide electric services to their communities. The joint venture is governed by the Power Board elected from the Mayors and City Councils of the participating entities. The Power Board governs the operations of the utility through management employed by the Board. Since the joint venture is subject to the same laws as the creating entities, it must follow Utah State law for local governments in the areas of fiscal management, budgeting, and financing. Since the governing Board is made up of Mayors and City Council appointees, each participating municipality has indirect control over these matters. The percentage share of each participants equity is as follows:

Heber City	75.00%
Charleston	12.50%
Midway City	12.50%
	<u>100.00%</u>

This investment is accounted for by the equity method of accounting.

The following summary financial information for Heber Light & Power is an abstract from the audited financial statements as of December 31, 2004. These financials are available at Heber Light & Power's offices at: 31 South 100 West, Heber City, Utah.

	Joint Venture	Midway City's Share
Assets	\$ 16,680,576	\$ 2,085,072
Liabilities	\$ 5,563,907	\$ 695,488
Equity	11,116,669	1,389,584
	<u>\$ 16,680,576</u>	<u>\$ 2,085,072</u>
Operating revenue	\$ 8,598,358	\$ 1,074,795
Less: cost of sales	7,385,729	923,216
Gross profit	1,212,629	151,579
General and administrative expenses	1,117,164	139,646
Income from operations	95,465	11,933
Other income and (expense)	(136,414)	(17,052)
Net income (loss)	(40,949)	(5,119)
Add: contributed capital	298,464	37,308
Less: participant withdrawals	(165,000)	(20,625)
Beginning retained earnings	11,024,154	1,378,019
Ending retained earnings	<u>\$ 11,116,669</u>	<u>\$ 1,389,584</u>
Reconciliation to Combined Balance Sheet:		
Balance at December 31, 2003		\$ 1,389,584
Less: withdrawals		(10,313)
Balance at June 30, 2004		<u>\$ 1,379,271</u>

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - INVESTMENT IN JOINT VENTURE (Continued)

The Heber Light & Power joint venture has the following debt:

	<u>Security</u>	
Revenue bonds - Series 02		
Rates: 3.25% - 5.00%	System revenue	\$ 4,745,000
Meter deposits	Unsecured	<u>32,837</u>
		4,777,837
Less: current portion		<u>(150,000)</u>
Net long-term debt		<u><u>\$ 4,627,837</u></u>

NOTE 6 - CAPITAL LEASES

The City had capital leases at June 30, 2005. The following is a schedule by year of the future minimum lease payments under the capital leases, together with the present value of the minimum lease payments:

Year Ended	
<u>June 30</u>	
2006	\$ 16,274
Total minimum lease payments	16,274
Less: amount representing interest	<u>(960)</u>
Present value of minimum lease payments	15,314
Less: amount due within one year	<u>(15,314)</u>
Amount due after one year	<u><u>\$ 0</u></u>

On February 15, 2004, the City entered into a capital lease agreement with Leasing 2, Inc. for the lease of a 1999 International Bobtail 4900 Truck. The original principal amount was \$46,000. Annual payments of \$16,274.08 are to be made for 3 years at a rate of 6.266%, with the first payment paid on February 15, 2004.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT

Descriptions of long-term debt follow:

Enterprise Fund.

Debt to the Heber Valley Special Service District consists of a note payable for the purchase of fifteen (15) shares of Island Ditch Company water stock. The purchase price was \$1,000 per share for a total of \$15,000. The note is non-interest bearing and payable at \$250 per quarter. The unpaid balance was \$250 at June 30, 2005.

Water Revenue Bond Series 1991 consists of \$159,390 of debt on which interest accrues at the rate of 5.0 percent per annum, payable annually in variable installments plus interest. The note matures January 1, 2006. The unpaid balance at June 30, 2005 was \$19,390.

General long term debt account group.

The Midway City Municipal Building Authority issued \$1,000,000 of Lease Revenue Bonds Series 2000A on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 2.5% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The unpaid balance at June 30, 2005 was \$613,324.

The Midway City Municipal Building Authority issued \$400,000 of Lease Revenue Bonds Series 2000B on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 0% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The unpaid balance at June 30, 2005 was \$240,930.

The Midway City Municipal Building Authority issued \$200,000 of Lease Revenue Bonds Series 2002 on May 31, 2002. The proceeds were for the purchase of additional cemetery property. The stated interest rate is 2.5% with principal repayment to begin on February 10, 2004 with annual payments to be made through 2023. The unpaid balance at June 30, 2005 was \$184,000.

Midway City obtained a construction loan from Community First National Bank in order to build a new public works building. The loan in the amount of \$245,000 was converted into permanent debt at the end of construction when the building was completed and approved. The interest rate is 5.328%. The permanent loan will be paid off in twelve annual installments in the amount of \$28,155.18 beginning on October 26, 2000. The unpaid balance at June 30, 2005 was \$160,491.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt consists of the following at June 30, 2005:

	2005
Business-type activities:	
Heber Valley S.S.D. Note Payable	\$ 250
Revenue Bond Series 1991	19,390
Total	<u>\$ 19,640</u>
Governmental activities:	
MBA Lease Revenue Bond Series 2000A	\$ 613,324
MBA Lease Revenue Bond Series 2000B	240,930
MBA Lease Revenue Bond Series 20002	184,000
Community First Note Payable	160,491
Total bonds and notes	<u>1,198,745</u>
Capital Lease (see note 6)	15,314
Accrued Compensated Absences	41,065
Total	<u>\$ 1,255,124</u>

The following is a schedule of bond & note maturities by year:

	Principal	Interest	Total
Business-type activities:			
2006	\$ 19,640	\$ 969	\$ 20,609
	<u>\$ 19,640</u>	<u>\$ 969</u>	<u>\$ 20,609</u>
Governmental activities:			
2006	\$ 165,906	\$ 29,585	\$ 195,491
2007	169,146	24,910	194,056
2008	174,448	21,083	195,531
2009	178,814	17,091	195,905
2010	182,249	12,956	195,205
2011 to 2015	236,182	21,845	258,027
2016 to 2020	56,000	8,750	64,750
2021 to 2023	36,000	1,800	37,800
	<u>\$ 1,198,745</u>	<u>\$ 138,020</u>	<u>\$ 1,336,765</u>

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (Continued))

During the year ended June 30, 2005, the following changes occurred in long term liabilities:

Governmental activities:

	Balance 07/01/04	Additions	Retirements	Balance 06/30/05	Due within one year
MBA Bonds 2000A	\$ 1,000,000	\$ 0	\$ (386,676)	\$ 613,324	\$ 98,442
MBA Bonds 2000B	400,000	0	(159,070)	240,930	40,000
MBA Bonds 20002	192,000	0	(8,000)	184,000	8,000
Note Payable	179,474	0	(18,983)	160,491	19,464
Capital lease (Note 6)	29,726	0	(14,412)	15,314	15,314
Accrued Compensated Absences	48,613	0	(7,548)	41,065	0
Total	<u>\$ 1,849,813</u>	<u>\$ -</u>	<u>\$ (594,689)</u>	<u>\$ 1,255,124</u>	<u>\$ 181,220</u>

Business-type activities:

	Balance 07/01/04	Additions	Retirements	Balance 06/30/05	Due within one year
Heber Valley S.S.D.					
Note Payable	\$ 1,000	\$ 0	\$ (750)	\$ 250	\$ 250
Revenue bond Series 1991	42,390	0	(23,000)	19,390	19,390
Total	<u>\$ 43,390</u>	<u>\$ -</u>	<u>\$ (23,750)</u>	<u>\$ 19,640</u>	<u>\$ 19,640</u>

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - RESTRICTION ON NET ASSETS

Net Assets are restricted for the following purposes:

The Special Revenue Fund balance represents the unexpended portion of monies that must be used for drug enforcement purposes only.

The Capital Projects Fund balance represents the unexpended portion of park impact fees.

The Municipal Building Authority represents the unexpended bond proceeds and other restricted funding for the Burgi Lane construction project.

The balance represents monies set aside in the Perpetual Care Fund.

NOTE 9 - RETIREMENT PLANS

Cost-Sharing Multi-Employer Plan

Plan Description

The City contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Government Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost-of-living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members in the Contributory System are required to contribute 6.00% of their annual covered salary (paid by the employer for the employee), and the City is required to contribute 7.08% of their annual covered salary. In the Noncontributory System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - RETIREMENT PLANS (Continued)

The City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Contributory System, \$4,751, \$4,182, and \$3,707; and for the Noncontributory System, \$23,977, \$20,282, and \$17,140 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan

The City participates in a 401(k) plan managed by the Utah State Retirement System (Systems). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(k), the City contributed 1.99% of salaries. The City contributed \$4,303, \$4,196, and \$3,925 during the fiscal years ended June 30, 2005, 2004, and 2003. Employees contributed \$4,852, \$2,280, and \$1,680 during the fiscal years ended June 30, 2005, 2004, and 2003.

NOTE 10 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in accordance with Utah Code in establishing the budgetary data reflected in the financial statements:

1. On or before the first regularly scheduled meeting of the Mayor and City Council in May, the clerk prepares a tentative budget for the ensuing fiscal year.
2. The tentative budget as adopted by the Mayor and City Council is then made available to the public for inspection for a period of at least ten days prior to the adoption of the final budget.
3. Prior to June 22, the budget is legally enacted through passage of a resolution.
4. The City Council approves, by resolution, total budget appropriations only. The city budget officer is authorized to transfer any unexpended appropriation balances from one expenditure account to another within departments during the budget year. The originally adopted budget may be amended during the year. The City Council by resolution may transfer any unexpended appropriation balance from one department to another within the same fund. In order to increase expenditures in any fund the city must hold a public hearing in addition to passing a resolution.
5. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year on June 30.
6. Unused capital project fund appropriations are carried into the subsequent fiscal year.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11- PROPERTY TAX

Property taxes are levied on January 1st, giving the City legal claim on that date. They are due on 1st and are delinquent after November 30th of each year. Property tax revenues are collected by the Wasatch County Treasurer and remitted to the City shortly after collection. The uncollected, measurable amounts have been accrued as deferred revenue.

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MIDWAY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 12 - ENTERPRISE FUNDS - SEGMENT INFORMATION

Business type fund segment information for the Water Fund for the fiscal year ended June 30, 2005:

Condensed Statement of Net Assets

	Water
Assets	
Current assets	\$ 1,459,788
Noncurrent assets	10,190,228
Total assets	<u>\$ 11,650,016</u>
Liabilities and Net Assets	
Liabilities	
Current liabilities	\$ 519,587
Due to other funds	4,673
Noncurrent liabilities	0
Total liabilities	<u>524,260</u>
Net assets	
Invested in capital assets, net of related debt	1,747,130
Restricted	7,471,541
Unrestricted	1,907,085
Total net assets	<u>11,125,756</u>
Total liabilities and net assets	<u>\$ 11,650,016</u>

Condensed Statement of Revenues, Expenses and changes in Net Assets

Operating revenue	\$ 642,630
Operating expenses	(279,986)
Depreciation	(56,744)
Operating income (loss)	305,900
Non-operating income	37,547
Interest expense	(1,544)
Capital contributions	757,500
Operating transfers in (out)	106,875
Change in net assets	1,206,278
Total net assets - beginning	9,919,478
Total net assets - ending	<u>\$ 11,125,756</u>

Condensed Statement of Cash Flows

Net cash provided by:	
Operating activities	\$ 379,461
Noncapital financing activities	90,457
Capital and related financing activities	(270,529)
Investing activities	25,983
Net increase (decrease)	225,372
Cash and cash equivalents - beginning	1,206,044
Cash and cash equivalents - ending	<u>\$ 1,431,416</u>

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SUPPLEMENTAL INFORMATION

The supplemental information section provides the reader with additional information about the basic financial statements.

MIDWAY CITY CORPORATION
GENERAL CAPITAL PROJECTS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Revenues</u>				
Impact fees - parks	\$ 30,000	\$ 30,000	\$ 79,180	\$ 49,180
Impact fees - transportation	25,000	25,000	115,620	90,620
Impact fees - interest	9,250	9,250	29,766	20,516
Miscellaneous	0	0	0	0
	<u>64,250</u>	<u>64,250</u>	<u>224,566</u>	<u>160,316</u>
<u>Expenditures</u>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Material supplies & services	0	0	31,038	
Capital outlay:				
Sidewalks	5,750	5,750	0	0
Buildings	13,000	13,000	0	(13,000)
Streets	508,725	508,725	203,417	(305,308)
Class "C" Roads	0	0	0	0
Parks and recreation	40,000	69,000	65,758	(3,242)
Cemetery	10,000	22,000	22,313	313
Other CIP	50,000	20,000	10,392	(9,608)
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
	<u>627,475</u>	<u>638,475</u>	<u>332,918</u>	<u>(330,845)</u>
Excess (deficit) of revenues over expenditures	<u>(563,225)</u>	<u>(574,225)</u>	<u>(108,352)</u>	<u>465,873</u>
<u>Other Financing Sources and (uses)</u>				
Sale of assets	0	0	0	0
Operating transfers in	133,625	133,625	111,453	(22,172)
Operating transfers out	0	(30,000)	(30,000)	0
	<u>133,625</u>	<u>103,625</u>	<u>81,453</u>	<u>(22,172)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ (429,600)</u>	<u>\$ (470,600)</u>	<u>(26,899)</u>	<u>\$ 443,701</u>
Fund balance, July 1			<u>931,814</u>	
Fund balance, June 30			<u>\$ 904,915</u>	

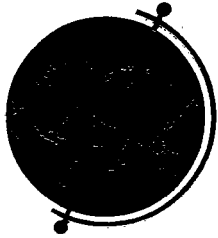
**MIDWAY CITY CORPORATION
MUNICIPAL BUILDING AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Revenues</u>				
State Park Grant	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	7,746	7,746
	<u>0</u>	<u>0</u>	<u>7,746</u>	<u>7,746</u>
<u>Expenditures</u>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Material supplies & services	0	0	5,091	0
Capital outlay:				
Streets	0	0	0	0
Debt service:				
Principal	596,304	596,304	553,746	(42,558)
Interest	0	0	29,800	29,800
	<u>596,304</u>	<u>596,304</u>	<u>588,637</u>	<u>(12,758)</u>
Excess (deficit) of revenues over expenditures	<u>(596,304)</u>	<u>(596,304)</u>	<u>(580,891)</u>	<u>15,413</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	299,800	299,800	299,800	0
Operating transfers out	0	0	0	0
	<u>299,800</u>	<u>299,800</u>	<u>299,800</u>	<u>0</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ (296,504)</u>	<u>\$ (296,504)</u>	<u>(281,091)</u>	<u>\$ 15,413</u>
Fund balance, July 1			<u>639,910</u>	
Fund balance, June 30			<u>\$ 358,819</u>	

MIDWAY CITY CORPORATION
CEMETERY PERPETUAL CARE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Operating Revenues</u>				
Perpetual care	\$ -	\$ -	\$ 3,678	\$ 3,678
Lot sales	5,600	5,600	6,040	440
	<u>5,600</u>	<u>5,600</u>	<u>9,718</u>	<u>4,118</u>
<u>Operating Expense</u>				
	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating income	<u>5,600</u>	<u>5,600</u>	<u>9,718</u>	<u>4,118</u>
<u>Nonoperating Revenues and (Expenses)</u>				
Interest revenue	2,500	2,500	3,494	994
	<u>2,500</u>	<u>2,500</u>	<u>3,494</u>	<u>994</u>
Income before operating transfers	<u>8,100</u>	<u>8,100</u>	<u>13,212</u>	<u>5,112</u>
<u>Operating Transfers</u>				
Operating transfers (out)	(8,100)	(8,100)	(8,100)	0
	<u>(8,100)</u>	<u>(8,100)</u>	<u>(8,100)</u>	<u>0</u>
Net income	<u>\$ 0</u>	<u>\$ 0</u>	5,112	<u>\$ 5,112</u>
Fund Balance, July 1			<u>149,519</u>	
Fund Balance, June 30			<u>\$ 154,631</u>	

**YELLOW BOOK
AND
STATE LEGAL COMPLIANCE
REPORTS**



THE C.P.A. NETWORK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS
LOCAL FINANCIAL SPECIALISTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council Members
Midway City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, as of and for the year ended June 30, 2005, which collectively comprise Midway City Corporation, Utah's basic financial statements and have issued our report thereon dated December 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Midway City Corporation, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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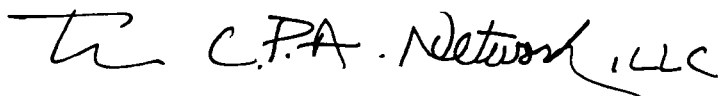
Financial Planning
Asset Management
Risk Management

However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

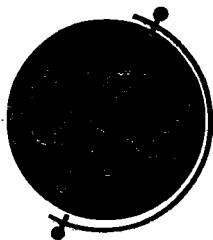
As part of obtaining reasonable assurance about whether Midway City Corporation, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters relating to the Utah State compliance Report which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-3.

This report is intended solely for the information of Midway City Council members, management, others within the organization, the Utah State Auditor's Office and other Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.



THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 10, 2005



THE C.P.A. NETWORK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS
LOCAL FINANCIAL SPECIALISTS

**UTAH STATE COMPLIANCE REPORT BASED ON THE
REQUIREMENTS, SPECIAL TESTS AND PROVISIONS
REQUIRED BY THE STATE OF UTAH'S LEGAL
COMPLIANCE AUDIT GUIDE**

Honorable Mayor and City Council Members
Midway City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 10, 2005. As part of our audit, we have audited Midway City Corporation, Utah's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with the following general compliance requirements identified in the State Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Uniform Building Code Standards
Impact Fees
Other General Compliance Issues

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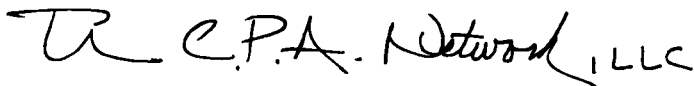
Financial Planning
Asset Management
Risk Management

The management of Midway City Corporation, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Midway City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 10, 2005

MIDWAY CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR
JUNE 30, 2005

Program Findings, Recommendations and Cities Response Questioned Costs

State Legal Compliance	05-1	<u>Finding</u> The City's general fund balance exceeded the maximum allowable by \$313,723. <u>Recommendation</u> We recommend that the City expend or reserve general fund balance to meet the State guidelines. <u>City's Response</u> The City concurs.	\$ -0-
Internal Control	05-2	<u>Finding</u> Midway City Corporation, Utah has a limited number of personnel to perform various accounting functions, in particular, adequate review and approval of the general ledger journal entry process. Therefore, total segregation of duties is not feasible. To correct this weakness would require the City to hire additional personnel which would not be cost effective. <u>City's Response</u> The City has no plans to add personnel until such time that the City's growth warrants the additional expenditure.	\$ -0-
State Legal Compliance	05-3	<u>Finding</u> The City's expenditures exceeded the final adopted budget in the following departments of the general fund: Mayor \$2,115 <u>Recommendation</u> We recommend that the City monitor expenditures and accounts payable at year end to ensure that departmental budgets are not exceeded. <u>City's Response</u> There were no departments over budget at year end. Audit entries put these departments over budget. The City concurs.	\$ -0-

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MIDWAY CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT STATUS OF PRIOR YEAR FINDINGS
 JUNE 30, 2005

Program	Findings, Recommendations and Cities Response	Questioned Costs
State Legal Compliance	04-1 <u>Finding</u> The City's general fund balance exceeded the maximum allowable by \$235,046. <u>Recommendation</u> We recommend that the City expend or reserve general fund balance to meet the State guidelines. <u>City's Response</u> See 05-1 under current year findings.	\$ -0-
Internal Control	04-2 <u>Finding</u> 03-3 Midway City Corporation, Utah has a limited number 02-3 of personnel to perform various accounting functions. 01-3 Therefore, total segregation of duties is not feasible. 00-3 To correct this weakness would require the City to 99-3 hire additional personnel which would not be cost effective. <u>Current Status</u> See 05-2 under current year findings.	\$ -0-

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